

# **THE IMPACT OF STRUCTURAL FUNDS IMPLEMENTATION IN BIHOR COUNTY. CASE STUDY ON THE REGIONAL OPERATIONAL PROGRAMME 2007-2013**

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*As The County's Development Plan 2007-2013 shows, Bihor county, which through its geographic position and existing local resources, plays a strategic role, of the West gate of Romania, distinguishes through a low unemployment rate, of 2,7% in 2007, on the third place in Romania after Bucharest and Timiș county and on the first place in the North-West region that he is part of, through a high living standard, with a GDP of 55% of the European average, ranks among the most developed counties in Romania ( range 8 in the country according to the GDP value per capita, range 2, after Cluj county in the North-West region).The present paper analyses the absorbion rate of structural funds allocated through the Regional Operational Programme of Bihor county and sets itself to formulate some conclusions regarding the way in which Bihor county has valued until present the development opportunities offered by the Regional Operational Programme, respective regarding future action directions, established by the Bihor County Development Plan, 2007-2013.*

*Key words: regional development, regional policy of EU, structural funds, absorption rate of structural funds, Regional Operational Programme, Bihor County Development Plan.*

*JEL Classification: O22, R10, R11, O10*

## **Introduction**

Bihor County, through its geographic position and its local existing resources, fulfils a strategic role, of Western gate of Romania. The county distinguishes through a *low unemployment rate*, of 2,7% in year 2007, on the third place in Romania after Bucharest municipality and Timiș county and on the first place in the North – West Region that it is part of. Through a *high living standard*, with a GDP of 55% of the European average, value registered in the year 2006, Bihor county is part of the most developed counties in Romania, being situated on 8 place on country according to the GDP value per capita, and in the North – West region, Cluj county is the only one that goes beyond Bihor, both through the development of the economy and through its relative proportion. Having a high attractive level, for investors and tourists, Bihor county disposes of a growing entrepreneurial capacity and a developing human capital, process sustained by a young and extremely dynamic academic system (Development Plan of Bihor County 2007-2013, 2007). The message of regional or cohesion policy of the European Union for the period 2007 - 2013 is “a bigger economic growth and more workplaces for all the regions and towns from the European Union”. In order to fulfill this, EU has allocated for the cohesion policy the total amount of 347.4 billion Euros for 2007 - 2013, that means that over one third of the European Union's budget is allocated to the financial instruments of the cohesion policy of the European Union: European regional development fund, Cohesion fund and Social European fund. 82 % of the total amount of the funds will be directed to the convergence regions – which shelters 35 % of the European Union's population. In the other regions, approximately 55 billion Euros are allocated for the objective „Regional competitiveness and the work force

employment”. Other 8.7 billion are available for cross-border, transnational and interregional cooperation, in the frame of the objective „European territorial cooperation” (European Commission, 2010). The present paper proposes to analyze the *impact of using structural funds on Bihor county*, answering questions such as „Where are we situated in present compared to the vision for Bihor county proposed through the Development Plan of Bihor County 2007-2013?”, „Are we heading in the right direction?”. There are also sighted aspects as the identification of the priority axis with the highest absorption rate. The identification of obstacles that blocks funds absorption in adverse fields as well as formulating solutions for the stimulation of structural funds absorption is another objective of the paper.

### ***Literature review***

The *absorption rate* is defined as the ability of a country or organization to use efficiently financial assistance received. In the case of the Regional Operational Programme, the absorption rate is given by the capacity of eligible organizations to elaborate and implement viable projects. In other words, even though the needs of a country or organization are big, their ability of using efficiently the financial assistance can be reduced from various reasons (for example the lack of skilled labor forces, the lack of planning, the lack of co-financing, etc.). An inappropriate use of structural funds will lead to a very small absorption rate (Regional Operational Programme, 2010). According to the European Commission Report from May 2007, regarding the cohesion policy, the premises of success in implementing European funds depend in big measure of the solid institutional capacity of public administration from member states. There are two directions of the European funds drain. On one side, the contribution of the fund suppliers (the supply side) at successful funds administration is determined by the quality of public administration, and on the other side, regarding the demand side, public benefits depend of the way of funds implementing. The role of the public administration is therefore a bivalent one, having the quality of contributing both from the position of coordinator of European funds administration, as well of the beneficiary, administrative capacity being filled by the ability of administration according to the legal discretion that regulate the funds that they will dispose of in project implementation. Consequently, consolidating the administrative ability of structural funds absorption as well as preparing fund’s portfolio, viable public investment projects are extremely important to guarantee the success of implementation.

### ***Empirics***

For the present paper we analyzed the priority axis that met the highest call for financing, using The stage Report of communication of implementation of the North – West Regional Development Agency, as well as the Information regarding the stage of projects presented for financing through the *Regional Operational Programme 2007-2013* in North – West region at 14.12.2009, containing detailed information about Bihor county. We realized a comparison between Bihor county and the entire North-West region, and we extracted conclusion on the base of the results that we obtained.

According to “The information regarding the stage of the projects applied for financing through the *Regional Operational Programme 2007-2013* in North – West region at 14.12.2009”, in Bihor county, the situation of the projects that applied for financing is the following:

**Table 1**

Priority axis	Field of action	Total number of projects applied – out of which: contracted – rejected -ended	Total value of projects (millio	Irredeemable financing asked (million euro)
			s	

			n euro)	
1 – Supporting the durable development of cities – urban pols of growing	1.1 – “Integrated plans of urban development” – urban centers subfield	Integrated plans of urban development applied: 3 Total individual projects pertaining to the integrated plans of urban development : 8	15.43	10.53
2 – Development of regional and local transport infrastructure	2.1 – “Rehabilitation and modernization of county road chain, urban streets – including building / rehabilitation of city-roads”	Total projects submitted: 5 out of which: Rejected: 2 Contracted: 2 , Precontracted: 0	54.15	43.26 <i>Irredeemable financing asked through the contracted projects 15,33</i>
3 –The improvement of social infrastructure	3.1 – „Rehabilitation / modernization/ equipment of health services of infrastructure ”	Total number of projects submitted 7 out of which: Rejected: 3 Contracted: 1 Precontracted: 0	4.81	3.94 <i>Irredeemable financing asked through the contracted projects – 0.85</i>
	3.2 – “Rehabilitation / modernization/ development and equipment of social services infrastructure”	Total number of projects submitted - 15 out of which: Rejected: 1 Backed up: 2 Contracted:1 Precontracted: 0	10.18	8.36 <i>Irredeemable financing asked through the contracted projects – 0.68</i>
	3.4 – „ Rehabilitation / modernization/ development and equipment of educational infrastructure and of the life-long learning infrastructure”	Total number of projects submitted: 10, out of which Rejected: 2 Contracted: 0 Precontracted: 4	14.46	11.28
4 –Support of local and regional business environment development	4.1 “Durable development of support structures of businesses of regional and local importance”	Total number of projects submitted: 6 out of which Rejected: 2 Contracted: 0 Precontracted: 0	51.48	23.55
	4.2 “ Rehabilitation of industrial sites, polluted and unused and preparing for new activities ”	Total number of projects submitted: 0	0	0
	4.3 “Microenterprises development support”	Total number of projects contracted 15	Total value - contracted project	<i>Irredeemable financing asked through the contracted projects 1.02</i>

			1.75	
5 – Durable development and tourism promotion	5.1 – “Rehabilitation and durable valuing of cultural heritage, as well as creating and modernization of connected infrastructures”	Total number of projects submitted: 2 out of which Rejected: 1 Contracted: 1 Precontracted: 0	10.05	7.73 <i>Irredeemable financing asked through the contracted projects – 6.81</i>
	5.2 – “Creation, development, modernization of tourism infrastructure for valuing natural resources and growing the quality of touristic services”	Total number of projects submitted: 5 out of which Rejected: 2 Contracted: 0 Precontracted: 2	30.93	13.36

Source: North-West Regional Development Agency data, 2010.

Analyzing Table 1, we notice that the absorption of structural funds differs from a priority axis to another and from an intervention area to another. According to the report studied, in Bihor County, the biggest number of projects submitted has been registered on Priority axis 4, called “The support of the development of local and regional business environment”, intervention area 4.3 “The support of microenterprises development”, with a total number of 15 submitted and contracted projects, being in the implementation stage. Even though the value of these projects is small, in average approximately 200.000 €, we notice that the private business environment is receptive and interested in structural funds absorption. On the other hand, the most problematic regarding the total number of projects submitted are the intervention fields 4.2 “Rehabilitation of industrial sites, polluted and unused and preparing them for new activities” and 5.3 “The growth of touristic potential”, where up to the moment of the report no contract had been submitted, so the absorption rate is 0. Another phenomenon observed is the fact that almost all priority axis, respective intervention fields, have a high percentage of projects rejected as it follows: Priority axis 2 “Development of regional and local transport infrastructure” - 40% projects rejected; Priority axis 3 “The improvement of social infrastructures” registers an average of 26% rejected projects on the 3 intervention fields reported; Priority axis 4 “Support of local and regional business environment development” - 30% projects rejected on the 3 intervention areas; Priority axis 5 “Durable development and tourism promotion” – an average of 45% projects rejected. This phenomenon is attributed by the present governance to the lack of interest of the previous governance, and the fact that there is not a unitary approach at the level of the Management Authorities and Intermediary Organisms. The main problem is bureaucracy; **it passes a long time between the moment when the applicant’s guide is published and effective contracting of the projects, this leading to the large number of projects rejected, etc.**

Considering the financial allocation on development regions for Romania, in the Regional Operational Programme 2007 – 2013, we observe that to the North-West region has been allocated 12.09% of the total value of funds allocated to Romania. So, in The Regional Operational Programme up to present, Bihor County has accessed 22.93% of the total value of funds allocated for period 2007-2013 to the North-West region, and respectively 2.77% of the total funds allocated for Romania in the period 2007-2013. It is a high percentage, but predictable, considering the fact that the county we are speaking about is the second one as dimension in the North-West region, after Cluj County, with a total numbered of 15 projects won only on the intervention field 4.3 “The support of microenterprises development”, according to Table 1. As it can be noticed in Table 2, a high value of won projects is registered by the investment in county roads, infrastructure, healthy services, projects that come from the public sector. But, even though the value of the projects is big, fact that contributes to a high absorption

rate, the number of projects is reduced, the need of active implication of public sector in funds absorption being still felt in intervention fields such as 5.3 “The growth of touristic potential”, 4.2 “Rehabilitation of industrial sites, polluted and unused and preparing them for new activities”.

**Table 2**

<b>Priority axis/Intervention field</b>	<b>NV (mil. €)</b>	<b>BH (mil. €)</b>	<b>% (BH/NV)</b>
<b>1. Supporting the durable development of cities</b>	<b>168.19</b>	<b>10.53</b>	<b>6.26%</b>
1.1. Integrated plans of urban development	168.19	10.53	6.26%
<b>2. Development of regional and local transport infrastructure</b>	<b>105.99</b>	<b>43.26</b>	<b>40.82%</b>
2.1 County roads/ urban streets	105.99	43.26	40.82%
<b>3. The improvement of social infrastructure</b>	<b>79.5</b>	<b>23.58</b>	<b>29.66%</b>
3.1. Healthy infrastructure	20.99	3.94	18.77%
3.2. Social services infrastructure	12.03	8.36	69.49%
3.3. Equipments for emergency situations	12.03	0	0.00%
3.4. Education infrastructure	34.45	11.28	32.74%
<b>4. Supporting the regional and local business environment</b>	<b>96.19</b>	<b>24.57</b>	<b>25.54%</b>
4.1. Business support structures	33.17	23.55	71.00%
4.2. Industrial sites: rehabilitation and preparing for new activities	28.46	0	0.00%
4.3. Supporting microenterprise development	34.56	1.02	2.95%
<b>5. The development and promoting tourism</b>	<b>86.54</b>	<b>21.09</b>	<b>24,37%</b>
5.1. Valuing cultural heritage	28.46	7.73	27.16%
5.2. Tourism infrastructure	39.9	13.36	33.48%
5.3. Touristic potential promotion	18.18	0	0.00%
<b>TOTAL (without the sums foreseen for technical assistance, these being administrated by AM POR)</b>	<b>536.41</b>	<b>123.03</b>	<b>22.94%</b>

Source: North-West Regional Development Agency data, 2010;

In Table 2, it is realized a comparative analyses between the values of the structural funds allocated to the North-West region, through the Regional Operational Programme, and the total value of accessed funds up to the present moment in Bihor county, for every Priority axis and intervention field, by correlating data from the Report regarding the stage of projects submitted for financing through ROP 2007-2013 for Bihor county with the data regarding The financing allocation on development regions through ROP 2007-2013. As we have noticed earlier, the areas with the smallest level of absorption through ROP 2007-2013 are 5.3 “The growth of touristic potential”, 4.2 “Rehabilitation of industrial sits, polluted and unused and preparing them for new activities”. We already know the fact that main reason that determines this phenomenon is the lack of active and dynamic public implication of the public sector in absorption structural funds, in this field the state is the eligible beneficiary. Also, we notice the interest of the microenterprises and the availability of the private sector to access structural funds, even though

the co-financing is a big impediment in funds absorption. The co-financing is the main reason for which many microenterprises give up projects that they have won. So, we come back to the public sector and government who must accelerate the process of adopting the law regarding the public-private partnership in order to ease the access of private sector to investment in infrastructure.

## Results

We consider that we are heading in the right direction, but not as fast as we should, so we must try harder. We have managed to access a high percentage of structural funds intended for Romania, North-West region, through investing in infrastructure, roads, sewerage systems, modernization and technologization of the microenterprises but, what is alarming is the fact that the needs are still very big and far from being satisfied. Even though the implication of county's local authorities in the structural funds absorption has risen lately, there are still fields where the absorption rate is zero. Surprisingly, Priority axis 5.3 "The growth of touristic potential", and Priority axis 4.2 "Rehabilitation of industrial sites, polluted and unused and preparing them for new activities", not so surprisingly, have the absorption rate 0. The second county as dimension in the North-West region, Bihor is situated on the second place regarding the structural funds absorption through the Regional Operational Programme 2007-2013, after Cluj County, which is according to general expectancies, but far from full valuing the county's potential, especially in the field of tourism, where we have an enormous potential revealed by the resorts of national interest (such as Băile Felix, Băile 1 Mai, Băile Tinca popular for the balneary tourism; mountain resort Stana de Vale; etc.), the existence of the treed carst and of a high number of caves of national and international value. We consider that the local authorities should show a bigger opening towards funds accession, by creating partnerships with universities in order to skill public employees in funds accession and implementation. Far from formulating exhaustive conclusions, we express our hope that, Bihor county will manage to determine and to be aware of the fact that it should grow the grade of public responsibility towards the exploitation of all development opportunities so that, according to the vision proposed through The development plan of Bihor county for 2007-2013, up to the year 2027, to offer to its citizens a unpolluted environment, a high living standard and a competitive, dynamic and an economy integrated in the European single market.

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